

## Message Text

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12

ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 AID-05 CIAE-00 COME-00 FRB-01

INR-07 NSAE-00 USIA-15 TRSE-00 XMB-04 OPIC-06 SP-02

CIEP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04

CEA-01 PA-02 PRS-01 /096 W  
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R 220750Z AUG 75

FM AMEMBASSY STOCKHOLM

TO SECSTATE WASHDC 5458

INFO USMISSION EC BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY HELSINKI

AMEMBASSY OSLO

USMISSION OECD PARIS

UNCLAS STOCKHOLM 4163

E.O. 11652: N/A

TAGS: EFIN, SW

SUBJECT: SWEDISH DISCOUNT RATE LOWERED FROM 7 TO 6 PERCENT

1. SWEDISH CENTRAL BANK ANNOUNCED AUG 21 REDUCTION OF DISCOUNT RATE FROM 7 TO 6 PERCENT, EFFECTIVE AUGUST 22. TEXT OF BANK'S COMMUNIQUE FOLLOWS:

2. QUOTE: THE BOARD OF DIRECTORS OF THE SVERIGES RIKSBANK HAS TODAY DECIDED

-- TO REDUCE THE RIKSBANK'S DISCOUNT RATE FROM 7 PERCENT TO 6 PERCENT WITH EFFECT FROM 22ND AUGUST

-- TO ABOLISH THE PRESENT CEILING ON COMMERCIAL BANK'S LENDING FOR OTHER PURPOSES THAN HOUSING CONSTRUCTION

-- TO RAISE THE LIQUIDITY RATIOS FOR COMMERCIAL BANKS WITH 2 PERCENTAGE POINTS WITH EFFECT FROM SEPTEMBER.

3. QUOTE. INTEREST CONDITIONS FOR BOND ISSUES WILL REMAIN UNCHANGED. THE RIKSBANK EXPECTS THAT COMMERCIAL BANKS, SAVINGS UNCLASSIFIED

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BANKS AND COOPERATIVE BANKS WILL LOWER THEIR DEPOSIT AND LOAN

RATES WITH 1 PERCENTAGE POINT AND THAT FIXED RATES FOR LONGER TERMS WILL REMAIN UNCHANGED.

4. QUOTE. THE EASIER STANCE OF MONETARY POLICY HAS BEEN MADE POSSIBLE BY THE IMPROVEMENT IN THE FOREIGN SHORT TERM INTEREST RATES. THE SHIFT TOWARDS EASIER CREDIT CONDITIONS IS INTENDED TO COUNTERACT THE WEAKENING DEMAND SITUATION. BY MAINTAINING LONG TERM INTEREST RATES AT THEIR PREVIOUS LEVEL THE RIKSBANK CONTINUES ITS EFFORTS OF APRIL TO WIDEN THE DOMESTIC CAPITAL MARKET.

5. QUOTE. REDUCING THE DISCOUNT RATE AND ABOLISHING THE CEILING ON BANK LENDING ARE PRIMARILY INTENDED TO SUPPORT PRODUCTION AND EMPLOYMENT IN THE ECONOMY UNDER PRESENT CONDITIONS OF WEAKENING DEMAND. THE RIKSBANK HAS IN THIS CONTEXT ONCE MORE URGED THE BANKS TO GIVE PRIORITY TO THE FINANCING NEEDS OF INDUSTRY IN ORDER TO ENABLE CONTINUED PRODUCTION FOR STOCK AS WELL AS FURTHER EXPANSION OF PRODUCTIVE CAPACITY. THIS HELPS TO SAFEGUARD EMPLOYMENT AND WILL ALSO PROVIDE INDUSTRY WITH BETTER OPPORTUNITIES TO MEET A GROWING DEMAND WHEN THE INTERNATIONAL ECONOMIC SITUATION ONCE MORE IMPROVES.

6. QUOTE. BORROWING ABROAD, GOVERNMENT BUDGET DEFICITS AND RELEASES OF INVESTMENT FUNDS HELD WITH THE RIKSBANK ARE LEADING TO A SUBSTANTIAL CREATION OF LIQUIDITY IN THE BANKING SYSTEM AS WELL AS IN THE ECONOMY AS A WHOLE. RAISING THE LIQUIDITY RATIOS OF THE COMMERCIAL BANKS IS AN ADJUSTMENT TO THIS DEVELOPMENT AND REDUCES THE RISKS FOR AN EXCESSIVE CREDIT EXPANSION. END QUOTE.

7. COMMENT: LARS HANSSON, HEAD OF ECONOMIC DIVISION IN RIKSBANK, TOLD EMBOFF THAT SWEDEN'S SUCCESS IN BUILDING UP ITS FOREIGN EXCHANGE RESERVES AND IN FINANCING ITS HIGH DEFICIT ON CURRENT ACCOUNT WITH FOREIGN INFLOWS HAVE PROVIDED OPPORTUNITY, THROUGH MEASURES TO EASE CREDIT MARKET, TO IMPROVE OVERALL PAYMENTS ACCOUNT IN LONG RUN. THUS GOS SEES THIS MOMENT AS A CHANCE TO ENCOURAGE INDUSTRY TO INCREASE STOCKS. PRODUCTION FOR THIS PURPOSE WILL NOT ONLY SHIELD SWEDISH INDUSTRY TO AN IMPORTANT DEGREE FROM EFFECTS OF INTERNATIONAL RECESSION BUT IT WILL ALSO PROVIDE COUNTRY WITH CAPACITY TO EXPORT WHEN  
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INTERNATIONAL ECONOMY RECOVERS. STRAUZ-HUPE

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## Message Attributes

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**TAGS:** EFIN, SW  
**To:** STATE  
**Type:** TE  
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